

Message Text

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ACTION EA-14

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FM USLO PEKING

TO SECSTATE WASHDC 1163

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 1651

E.O. 11652: GDS

TAGS: OTRA ESTC CH

SUBJ: BELL HELICOPTER TALKS WITH PRC

REF: A) STATE 232642 B) PEKING 1621

1. SUMMARY. AT THE CONCLUSION OF TWO WEEKS OF TALKS IN PEKING, BELL HELICOPTER IS VERY OPTIMISTIC ABOUT A POSSIBLE SALE OF MODEL 212'S TO THE PRC IN THE NEAR FUTURE. THE MAIN OBSTACLE, IT NOW APPEARS, IS PRC RELUCTANCE TO PROVIDE END-USE INFORMATION. THE DISCUSSIONS ARE EXPECTED TO RESUME IN TWO OR THREE MONTHS. END SUMMARY.

2. BELL HELICOPTER VICE PRESIDENT FRANK SYLVESTER IS PLEASED WITH THE WARM RECEPTION HIS GROUP RECEIVED IN PEKING, AND IS CONVINCED AT THE END OF TWO WEEKS OF TALKS THAT THE CHINESE ARE SERIOUS ABOUT A PURCHASE. THE DISCUSSIONS, WHICH WERE WITH THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX) AND THE GENERAL ADMINISTRATION OF CIVIL AVIATION OF CHINA (CAAC), WERE TECHNICAL EXCEPT FOR TWO PRELIMINARY CONTRACT SESSIONS. THE CHINESE ARE INTERESTED IN THE BELL MODEL 212, BUT SYLVESTER DOES NOT KNOW HOW MANY THEY WISH TO
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BUY. HE SAID HE QUOTED A "BALLPARK" FIGURE OF DOLS700,000 A COPY, BUT TOLD THE CHINESE HE CANNOT BE MORE SPECIFIC

ABOUT A PRICE UNTIL THEY PROVIDE MORE DETAILS ON HOW MANY THEY WANT AND WITH WHAT CHARACTERISTICS. SYLVESTER EXPECTS TO RETURN TO PEKING FOR FURTHER TALKS IN A FEW MONTHS, POSSIBLY AS EARLY AS MID-FEBRUARY.

3. SYLVESTER SAID IT WAS MADE CLEAR IN THE DISCUSSIONS THAT CAAC WOULD BE THE END USER. THE CHINESE, HE SAID, WERE VERY INTERESTED IN CONFIGURATION OF THE 212 FOR VIP MISSIONS, AND AT ONE POINT HE THOUGHT THAT IF HE RECEIVED ANY PRELIMINARY ORDER AT THIS TIME, IT WOULD BE FOR THREE TO FIVE VIP 212S. THE CHINESE WERE ALSO INTERESTED IN HIGH ALTITUDE/HOT TEMPERATURE CAPABILITY; OTHER QUESTIONS SUGGESTED THAT ONE INTENDED USE OF THE 212S WOULD BE FOR MINERALS AND PETROLEUM EXPLORATION AND DEVELOPMENT; OTHER QUESTIONS SHOWED GREAT INTEREST IN AGRICULTURAL UTILIZATION. THE CHINESE WERE ALSO CONCERNED ABOUT LEAD TIME, INDICATING THAT THE 14 MONTH FIGURE FIRST MENTIONED BY SYLVESTER WAS TOO LONG, AND SUGGESTING A NEED FOR DELIVERY IN SOMETHING LIKE FOUR TO SIX MONTHS. SYLVESTER SAID HE REPLIED THAT BELL MIGHT BE ABLE TO ACCOMMODATE THEM TO SOME EXTENT, DEPENDING ON THE NATURE OF THE CHINESE REQUIREMENTS.

4. THE MAIN OBSTACLE, SYLVESTER BELIEVES, IS THE REQUIREMENT FOR END-USE INFORMATION. HE TOLD US HE MADE IT VERY CLEAR TO THE CHINESE THAT SUCH INFORMATION IS A NECESSARY PREREQUISITE FOR A US EXPORT LICENSE. MACHIMPEX, HOWEVER, TOOK A VERY HARD POSITION, STATING THAT THERE IS NO NEED FOR THEM TO PROVIDE AN END-USE STATEMENT, THAT IT IS AGAINST PRC POLICY TO DO SO, AND THAT IN THE CASE OF THE BOEING SALE MACHIMPEX WAS NEITHER ASKED, NOR DID MACHIMPEX PROVIDE, SUCH A STATEMENT. MACHIMPEX FURTHER HINTED, SYLVESTER SAID, THAT IF THEY CANNOT BUY HELICOPTERS FROM THE US THEY WILL BUY THEM ELSEWHERE. WHILE SYLVESTER IS CONVINCED THAT THE CHINESE WILL NOT PROVIDE THE REQUIRED END-USE INFORMATION IN THE USUAL FORM, HE IS HOPEFUL THAT SUFFICIENT INFORMATION COULD BE PROVIDED INDIRECTLY TO SATISFY USG REQUIREMENTS.

5. BELL WILL CERTAINLY BE IN TOUCH WITH STATE AND COMMERCE
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ON THE MATTER OF END-USE INFORMATION WITHIN THE NEXT FEW WEEKS, AND CAN BE EXPECTED TO PROBE INTO THE CIRCUMSTANCES OF THE BOEING SALE, AND INTO WHAT IF ANYTHING CAN BE DONE IN THIS CASE IN WAY OF ACCEPTING INDIRECT ASSURANCES FROM THE PRC. USLO WOULD APPRECIATE BEING FULLY INFORMED OF ANY DISCUSSIONS ON THIS MATTER IN WASHINGTON.
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